

PENANG SANGAM HIGH SCHOOL

P.O BOX 44, RAKIRAKI

LESSON NOTES –WEEK 9

**Subject:** Commercial Studies

**Year:** 10

**Strand:** 2

**Sub Strand:** 2.3 - The Accounting Process

**Content Learning Outcome:** - Use double entry concept to post to ledger accounts

- Post, balance the ledger accounts using T form
- Prepare creditors ledger account from transactions using T form.

**Lesson Notes:**

- ✓ Ledger accounts follow the extended accounting equation rule.

$$\begin{array}{c} A + E + D \\ \uparrow \text{DR} \\ \downarrow \text{CR} \end{array} = \begin{array}{c} L + P + R \\ \uparrow \text{CR} \\ \downarrow \text{DR} \end{array}$$

- ✓ **DR** entries in the journal/ analysis chart are posted to **DR** side in the ledger.  
**CR** entries in the journal/ analysis chart is posted to **CR** side in the ledger
- ✓ **Given the transactions, first identify the accounts affected or separately prepare an analysis chart.** Since we are preparing Creditors Ledger Account, we will record the opposite account affected into the ledger with the creditor's amount.
  - **Same side posting- meaning**
- ✓ If **Creditor's account is DR**, you will record the **opposite account name on the DR side** of the ledger account with the **amount for creditor's**.
- ✓ If **Creditor's account is CR**, you will record the **opposite account name on the CR side** of the ledger account with the **amount for creditor's**.

T Account Format

Account Title	
Debits Left	Credits Right

**Illustrative Examples:**

**Note:** The total of the side [DR/CR] which is more will be recorded on both sides on the same line. Bal c/d and Bal b/f is the difference between the total which is more [\$12 920 CR] minus Total which is less [\$9 540 DR]. Record Bal c/d on the side which is less and should be above the total. Record Bal b/f on the side which is more and should be below the total.

<b>Example : Creditor/Accounts Payable</b> <b>Ledger (Current Liability)</b>		<b>Required : Prepare Ledger Account</b> <b>for micky.</b>	
<b>Feb 1 : Opening Balance</b> Creditor (Micky) - \$1400		<b>Solution</b> ↓ owe less      micky (Creditor)      ↑ owe more	
2. credit purchase from micky \$440	Purchase micky	Feb. 3. Purchase 40	Feb. 1. opening Balance 1400
3. Returned faulty goods to micky \$40.	Purchases Ret micky	Return 40	2. Purchase 440
5. Paid micky \$500 less \$30 discount received.	Cash micky Dis rec	Cash 470	9. Freight 80
9. Micky charged freight \$80.	Freight micky	Discount received 30	12. Vehicle 11000
12. Bought vehicle on credit from micky \$11000.	Vehicle micky	14. Cash 9000	
14. Paid micky \$9000	cash micky	Bal c/d 3380 12 920	mar. Bal b/p 3380

### Class Activity:

### Creditor's Ledger Account

XX Ltd has the following opening ledger account balances on 1<sup>st</sup> January 2020.

**Jan 1:** Opening balances for Accounts Payable – Tom \$820 and Jerry \$910

**2:** Credit purchase from Tom \$300

**3:** Paid Jerry \$200

**4:** Returned damaged goods to Tom \$70

**6:** Bought goods on credit from Jerry \$200

**7:** Jerry charged for freight \$80

**10:** Paid Tom \$500 less \$20 discount received.

**12:** Bought table on credit from Jerry \$320.

**16:** Paid Jerry \$100 and received \$10 discount.

**19:** Tom charged interest \$90

**Required:** Prepare ledger accounts for Tom and Jerry in T- form.

**Note:** They are two different creditors so separately prepare their ledger accounts similar to Micky's ledger account.